

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of
Billed Party Preference
for 0+ InterLATA Calls

CC Docket No. 92-77

ORIGINAL
FILE

COMMENTS

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Summary

Federal regulatory initiatives and passage of the Telephone Operator Consumer Services Improvement Act have transformed the industry since Billed Party Preference (BPP) was initially proposed in 1987. Operator service providers are now required to self-identify through call branding, publish informational tariffs and refrain from call blocking and call splashing to the extent permitted by current technology. In addition, new LEC service offerings-- notably Operator Transfer Service and Line Information Data Base (LIDB) Access Service--have increased the range of consumer options in carrier selection and billing method. In the aggregate, these changes rectify earlier abuses in the industry which BPP was originally intended to address.

If the Commission nevertheless determines that BPP should be implemented in the current environment, BellSouth supports application of the service to all phones and all call types. The Commission must also establish a mechanism to permit recovery of the substantial costs associated with BPP from all users of interstate access service. Absent this approach, the provision of operator services will devolve into a patchwork of inconsistent arrangements that will inevitably produce confusion and dissatisfaction.

Further, if "dial around" is permitted, the largely non-usage sensitive costs of BPP will be borne by a diminishing customer base, putting in jeopardy LECs' ability to deploy a commercially viable offering.

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COMMENTS

BellSouth Telecommunications, Inc. ("BellSouth") submits these comments in response to the Notice of Proposed Rulemaking ("NPRM") in the above-captioned proceeding.¹ The NPRM tentatively finds billed party preference (BPP)² routing of all 0+ interLATA calls to be consistent with the public interest. To further evaluate the merits of this preliminary conclusion, the Commission seeks additional information regarding the costs and benefits of BPP and related implementation issues.

As discussed more fully below, the operator services market has undergone significant changes since the initial proposal of BPP in 1987. These developments, in conjunction with appropriate Commission action in matters now pending, can achieve the same beneficial results originally

¹ Billed Party Preference for 0+ InterLATA Calls, CC Docket No. 92-77, Notice of Proposed Rulemaking, FCC 92-169, released May 8, 1992.

² BPP is theoretically applicable to any operator-assisted toll call (0+ or 0-). Under BPP the choice of serving carrier is determined by the preference of the billed party, as opposed to the calling party or location provider.

envisioned for BPP: creation of a competitive operator services market and expansion of consumer options. Moreover, unlike BPP, they do not entail a waiting period of several years for software development and network modification and the substantial attendant costs of these activities.

DISCUSSION

1. Legislative/regulatory initiatives and the introduction of new LEC offerings have dramatically altered the character of the operator services industry.

The provision of operator services in 1987 was often characterized by an absence of consumer choice. Calls initiated through 0+ dialing were automatically routed to the presubscribed carrier selected by the location provider or other aggregator. Moreover, aggregators frequently blocked attempts to reach an alternate carrier through access code dialing. At times such calls were routed to the presubscribed carrier without notice to the end user. Billing irregularities, exemplified by the phenomenon of call splashing, were commonplace.³ Competition among OSPs was principally directed to acquisition of presubscribed stations through the payment of lucrative aggregator

³ Call splashing occurs when a call is transferred from the network of one carrier to that of another. It was not uncommon for the receiving carrier in such instances to rate a call from the point of transfer rather than the point of origination, generating considerable public confusion and at times a charge which greatly exceeded customer expectations.

commissions rather than to the provisioning of operator services of high quality and at a reasonable price.

It was these conditions which created the impetus for BPP, originally proposed by the Ameritech Companies ("Ameritech") in 1987.⁴ BellSouth supported the Ameritech petition and a subsequent initiative by the Bell Atlantic Telephone Companies ("Bell Atlantic") directed at public telephones.⁵ In both cases, BellSouth's support for BPP was grounded upon the clear inadequacy of service alternatives then available.⁶

While deferring consideration of BPP proposals, the Commission acted in 1989 to address those problems which had been identified in the emerging operator services industry. In response to a complaint filed by several consumer

⁴ Petition of the Ameritech Companies for Amendment of Part 69 of the Rules to Enable Exchange Access "Dial 0" Services To Be Provided by Local Exchange Carriers, RM No. 6113, filed August 7, 1987.

⁵ The Bell Atlantic Telephone Companies, Petition for Rulemaking To Establish Uniform Dialing Plan From Pay Telephones, filed April 13, 1989.

⁶ "BellSouth shares Ameritech's belief that neither the public nor the interexchange carriers are well served by the current access arrangements for dial "0" calls." BellSouth Comments, filed October 2, 1987; "[T]here is an obvious need for a service which offers carrier selection capability to public telephone users and to those persons obligated to pay for public telephone calls. This need is not met by the present system of location provider presubscription, where interexchange carrier selection is dictated more by the attractiveness of commission arrangements than by considerations of service quality and price as perceived by the end user." BellSouth Comments, filed May 26, 1989.

advocacy groups, the Commission imposed new requirements related to consumer information and ordered cessation of call blocking and call splashing practices to the extent technologically feasible.⁷ Following this decision, the initiation of a general rulemaking in 1990⁸ and passage of the Telephone Operator Consumer Services Improvement Act (TOCSIA)⁹ produced changes in the operator services industry which upon full implementation will largely eliminate the abuses documented earlier.

The requirements of TOCSIA are reflected in implementing regulations of the Commission, codified at 47 C.F.R. Sections 64.703 et seq. These impose on OSPs an

⁷ "We are particularly concerned with the current practices of some of the defendant AOS companies regarding consumer disclosure, call blocking and call splashing. These practices distort and impede the operation of a fully competitive operator services industry. After consideration of the arguments and evidence advanced by the parties to this proceeding, we are persuaded that the practice of call blocking, coupled with a failure to provide adequate consumer information, is unjust and unreasonable in violation of Section 201(b) of the Act...[W]e will require that to the extent that the defendant AOS companies engage in the practices we find unreasonable herein, they must adopt certain revised procedures with respect to consumer notice and call blocking." Telecommunications Research and Action Center and Consumer Action v. Central Corporation et al., File No. E-88-104, 4 FCC Rcd 2157, 2159 (1989) ("TRAC Complaint").

⁸ Policies and Rules Concerning Operator Service Providers, CC Docket No. 90-313, 5 FCC Rcd 4630 (1990).

⁹ 47 U.S.C. Section 226 et seq.

obligation to self-identify through call branding¹⁰ and to provide upon request information related to rate schedules, collection methods and complaint resolution procedures. OSPs are prohibited from billing for unanswered calls unless compliance is rendered impossible by technological limitations and from engaging in call splashing unless the customer has given prior consent. OSPs are also required to file informational tariffs with the Commission and are responsible for maintaining currency through periodic updates.¹¹ With respect to call aggregators, TOCSIA and the Commission's rules require unblocking of access code dialing and the posting of consumer information, to include the identity of the presubscribed OSP. In their totality, these measures represent a significant curative for the abuses which were previously endemic to the industry and which BPP was intended to address.

Apart from these legislative and regulatory initiatives, new offerings by BellSouth and other LECs have

¹⁰ Double branding mandated for presubscribed OSPs requires identification "at the beginning of each telephone call and before the consumer incurs any charge for the call..." and "also for a second time before connecting the call and before the consumer incurs any charge." 47 C.F.R. Section 64.703(a)(1) and (c). The requirement of a second brand is scheduled to expire on January 15, 1994.

¹¹ The Commission has been diligent in reviewing these submissions, as evidenced by the many orders prescribing corrective action issued to noncompliant OSPs. See, e.g., In the Matter of Pay Com, Inc., CC Docket No. 91-372, Order, 7 FCC Rcd 207 (1991); In the Matter of USA Payphone Systems, CC Docket No. 91-376, Order, 7 FCC Rcd 231 (1991).

also contributed to an expansion of customer choice in the operator services market. Operator Transfer Service (OTS) permits routing of 0- traffic to subscribing interexchange carriers, based upon the carrier preference expressed by the end user. Currently three major carriers, representing approximately 95% of all interLATA 0- calls placed in the region and in the country, subscribe to BellSouth's OTS. In addition, Line Information Data Base (LIDB) Access Service has enhanced BellSouth's provision of validation and call screening services and, concurrently, the ability of IXC customers to offer a greater variety of billing alternatives to their end users.

In a related matter, the Commission is now considering what limitations, if any, to impose on the use of IXC "proprietary" calling cards. BellSouth has argued that issuers of such cards should be required to provide validation and screening services on reasonable and nondiscriminatory terms.¹² If adopted, this suggestion will not only expand the range of billing options available; it will also enhance competition among OSPs by separating the selection of carrier from that of billing mechanism.

To conclude, a combination of developments on several

¹² Billed Party Preference for 0+ InterLATA Calls, CC Docket No. 92-77, BellSouth Comments, filed June 2, 1992; BellSouth Reply, filed June 17, 1992. Central to BellSouth's argument is the proposition that validation and screening services associated with IXC cards are functionally indistinguishable from counterpart LEC services for which the Commission has mandated Title II regulation.

fronts has transformed the operator services industry. In light of these circumstances, BellSouth does not believe that the introduction of BPP at this time would provide new competitive stimulus to the market. Nevertheless, BellSouth is mindful of the Commission's desire to obtain further data related to the costs and implementation of a BPP offering and therefore devotes the balance of its comments to a discussion of these issues.

2. BPP offers few competitive advantages in today's environment, while the costs of implementation would be significant.

A. Fourteen-Digit Screening

A threshold inquiry of the NPRM concerns the feasibility of modifying LIDB to permit fourteen-digit carrier identification screening.¹³ As pointed out by the Commission, this capability would allow consumers to have multiple personal identification numbers (PINs) in association with a line-number based calling card. Thus, even under a BPP system, any operator service provider would retain discretion to issue the line-number cards favored by many consumers.

Fourteen-digit screening would necessitate changes to the database, the administrative system and the query processing method. The cost of database modification, estimated at \$720,000 spread over all LIDB owners, is secondary to the difficulties of administering a multiple

¹³ NPRM, pp. 6-7 n. 19.

PIN system. Questions which would have to be addressed by the LIDB owner and the OSP card issuer include when and under what criteria a card will be removed from service; what entity will be responsible for card removal; what effect removal of a PIN will have on remaining PINs assigned to the customer; and how will responsibility be apportioned for the establishment of high usage thresholds and other administrative tasks. Modifications to the database would also be necessary to screen information pertinent to the card of one issuer from other IXC's accessing the LIDB system. No cost estimate for these modifications is available.

BellSouth does not believe fourteen-digit screening possesses any countervailing customer benefit which outweighs the complexities of instituting and maintaining this system. Furthermore, the introduction of multiple PINs, necessitating more frequent database changes to insure currency, could be expected to increase error rates and provide additional opportunity for fraud.

B. Access Code Dialing

The Commission has requested information regarding consumer attitudes toward access code dialing. Comment is sought as to the level of acceptance displayed by customers and the potential for change during the interim before BPP could be deployed.¹⁴

¹⁴ NPRM, p. 9.

Bellcore, in association with a market research company, conducted four focus group sessions between April and July 1991. Group participants were frequent users of calling card services (minimum 10 calls per month). The study determined that most participants were familiar with the system of payphone presubscription and understood the use of access codes to obtain service from an alternate carrier. Access code dialing was not viewed as a significant issue by the respondents, many of whom routinely used this method to obtain service from their desired carrier.¹⁵

C. Costs of BPP Implementation

To realize public interest benefits, BPP must be implemented for all interLATA 0+ and 0- traffic from all phones. The alternative is a patchwork of inconsistent arrangements that would inevitably generate confusion. Furthermore, a majority of the costs of implementing BPP are not sensitive to the number of originating lines (payphone versus all phones) or to the call type (0+ versus 0-). BPP cost is primarily attributable to software modifications in central office and Operator Services System (OSS) switches, which must be undertaken to offer the service on any

¹⁵ It is probable that these survey respondents are more familiar with access code dialing than is the public as a whole. However, understanding and acceptance of this method should increase with time and the efforts of IXCs to publicize access code dialing. Furthermore, OTS currently offers customers a means of obtaining the preferred carrier without the need to dial an access code.

operator assisted calls. Accordingly, BellSouth has developed an estimate of BPP costs which represents the minimum necessary to achieve service deployment in the BellSouth region as herein recommended.

Under current procedure, the routing of operator assisted calls is determined in the end office of the calling party. InterLATA calls dialed using 0+ are trunked to the OSS of the carrier to which the originating line is presubscribed. All 0- traffic is routed to BellSouth's OSS. When the call is interLATA, carrier selection is done by the calling party.

By contrast, in a BPP environment all operator assisted calls (0+ and 0-) will be trunked to BellSouth's OSS. In the case of interLATA calls, BellSouth must query the appropriate LIDB database to determine the preferred carrier for a LEC calling card, collect or bill to third number call. In the case of non-LEC calling cards, BellSouth must determine the card issuer and route the call accordingly.

To accommodate the BPP service arrangement, BellSouth must install operator services signaling utilizing signaling system 7 (OSS7) or similar software in end offices and OSS tandem offices. This technology will provide split routing capability (10XXX0 versus 0+/0-) and the means of passing call type information to the BellSouth OSS. BellSouth must also incur trunking capital and expense to install new trunks and reterminate existing trunks. These

additions/reconfigurations will be used to carry 0+ traffic to BellSouth's OSS rather than to the IXC POP. Additional capacity will also be required in the OSS tandem offices.

BPP implementation will require software and hardware additions to the Automated Alternate Billing Services (AABS). These will allow recognition and processing of interLATA 0+ calls and enable the system to process a higher call volume. BellSouth proposes to employ new software (Exchange Access Alternate Billing System (EAABS)) to pass call type information to the IXC, thus reducing the need for customers to provide this information twice.¹⁶

Other identified costs include additional operator positions; salaries and wages; and operator training necessitated by the implementation of BPP and increased call volumes. LIDB-related costs will be incurred for software load, record storage and processing capabilities associated with the inclusion of 1+ Preferred Interexchange Carriers and 0+ Primary and Secondary Carriers in the data base. BellSouth has also estimated the costs of conducting a "positive response" ballot of BellSouth calling card holders to obtain Primary and Secondary 0+ PIC designations.

The capital and expense associated with BPP

¹⁶ Technical specifications for OSS7, the AABS upgrade and EAABS have not been finalized, with the result that vendor development of necessary hardware and software has not yet begun. Given this circumstance, the costs of BPP implementation provided with these comments are not final but rather represent the best estimate currently available to BellSouth.

implementation is itemized in Exhibit 1 to these comments. As shown in Exhibit 1, BellSouth estimates capital expenditures of \$24,936,000, initial expenses of \$120,681,000 and non-investment related, recurring expenses of \$6,850,000 to implement BPP service.

Development of the per call costs of BPP is shown at Exhibit 2 to these comments. BellSouth estimated annual cost of the capital investment by using a standard annual cost factor calculated as the ratio of annual depreciation, return, income tax, maintenance, property tax and administrative expense to investment. Initial, non-investment related expense was amortized over a five year period. Other costs identified for BPP implementation consisted of recurring non-investment related expense and revenue losses for LIDB and OTS, which would be subsumed in the BPP offering.

As shown in Exhibit 2, total annual cost during the 1996 period divided by the forecasted demand in interLATA 0+ and 0- calls yields a per call cost of approximately \$0.11.¹⁷ Because BPP costs do not vary appreciably with demand, this figure would be significantly higher if the Commission were to adopt limitations on service provisioning either as to aggregator or call type. Similarly, less than universal participation by all users of access service would

¹⁷ Demand projections are based upon data from the Carrier Access Billing System (CABS).

produce a sharp increase in per message costs and seriously jeopardize the ability of BellSouth and other LECs to provide a commercially viable offering. Thus, if the Commission deems BPP to be in the public interest, it is imperative that a mechanism be established which will permit cost recovery from all access users.¹⁸

D. Dual Operator Systems

An area of particular concern involves the need for consumer interaction with two operator systems (LEC and IXC) in a BPP environment. Thus the NPRM seeks information regarding the frequency of this occurrence and the capacity of network technologies to eliminate or minimize the necessity for repetition of calling information.¹⁹

The Commission correctly notes that LEC deployment of OSS7 will eliminate duplicative customer contacts to obtain call information. To achieve this result, BellSouth would deploy OSS7 at the OSS and end office level. Technical requirements for OSS7 have not been finalized to permit commencement of vendor design and construction; however, it is estimated that OSS7 capability could be available within the period necessary for implementation of BPP as stated

¹⁸ To illustrate, if customers of the three largest carriers were permitted to bypass BPP through 10XXX dialing, as much as 75% of all 0+ traffic could be diverted. The remaining 25% would generate a per call cost of \$0.43 for BPP service.

¹⁹ NPRM, p. 12.

elsewhere in these comments.²⁰

AABS is deployed throughout the BellSouth region and is used today to automate the operator function on intraLATA calls. The technology could be modified to allow customer input of interLATA billing information, thus eliminating the need for contact with the LEC operator. Nevertheless, in a BPP system the customer is still required to interact with two distinct operator service systems; this fact is not changed by automating the operator function of one or both OSPs. The transfer from LEC to IXC system cannot be made transparent and in BellSouth's view would prove confusing to the public. Moreover, customers using AABS may elect to bypass the system to reach an operator. A customer choosing this alternative on a collect or third number call would have to provide call information to the LEC operator and subsequently obtain call acceptance from the IXC operator.

A related issue concerns the treatment of subsequent attempts in a BPP environment. Subsequent attempts occur under diverse circumstances. The following are illustrative:

- During call processing, the customer requests a change in call billing method;
- When the called number is busy or "no answer", the customer requests a second number;
- When a collect call is not accepted, the caller requests a second number;

²⁰ See p. 17, infra.

-- After a collect call is accepted, the called party requests billing to another number or calling card.

Any one of these situations could occur after the call has been passed to the PIC of the original billed party. In that event the only alternatives are to instruct the customer to hang up and redial the call or permit the original PIC to carry the second call. The first alternative will predictably annoy and confuse customers; the second will forfeit any benefits of BPP.

E. BPP Access Times

Access times on interLATA 0+ calling card, collect and bill to third number calls will increase slightly to accommodate LIDB database query and call routing to the billed party PIC. With respect to 0- calls handled today through OTS, BellSouth anticipates an incremental increase of 10 seconds in operator work time to obtain billing information and complete the query to the LIDB data base. Any time savings realized through the elimination of access code dialing would be offset by the additional time required in a BPP environment to identify the PIC, provide customer instruction and transfer the caller to the PIC.²¹

The Commission has surmised that access time increases would not promote a greater incidence of call abandonment, because callers would be in contact with the LEC operator

²¹ It is, however, possible that some savings would be realized through a reduction in call setup time within the IXC network.

during call set-up.²² While the LEC operator is accessible to a caller during the database query, no contact is possible during transfer to the PIC and call set-up; hence, for this period LEC assistance would not be available to prevent the occurrence of call abandonment.

F. Alternative Technologies

Operator Transfer Service, 10XXX unblocking and call branding will insure end user ability to reach the preferred carrier. The technology to provide these services is in place or now being deployed. Additionally, the Commission can expand customer billing options by requiring all calling card issuers to offer nondiscriminatory validation and screening services, as advocated by BellSouth in a related proceeding.

3. If determined to be in the public interest, BPP should be mandated for all telephones and the cost of BPP should be recovered from all users of access service.
-

A. Application to All Aggregators

To advance the consumer-oriented goals it was intended to serve, BPP must be mandated for all telephones and all traffic aggregators. Absent such a requirement, customers will encounter a myriad of service provisioning methods--in many cases without notice of the application (or not) of BPP. Widespread public dissatisfaction will be the inevitable by-product of these conditions. Further, the

²² NPRM, p. 12.

Commission must act affirmatively to compel BPP implementation. Voluntary deployment cannot be expected, given that many aggregators face the erosion of commission revenue under a BPP system.²³

With reference to a deployment schedule, BellSouth is dependent upon vendors to develop the technology for BPP. Of critical importance is the availability of Northern Telecom's EAABS software. Northern has advised that the technology could be generally available in July 1995. In that event BellSouth could begin implementation in July 1995, with completion in July 1996 at the earliest. This schedule assumes release of a Commission order prescribing BPP and establishing necessary service parameters by mid-1993 at the latest.

B. Application to All Call Types

The necessity for uniform application of BPP mandates its use on all 0+ and 0- interLATA traffic. BPP would thus replace Operator Transfer Service, which is currently employed to route 0- interLATA traffic in the BellSouth region.

Independent companies located in the nine-state area served by BellSouth and obtaining operator services from BellSouth would have the capability of providing BPP in non-

²³ Indeed, should the Commission mandate BPP deployment, some mechanism will be required to compensate call aggregators, e.g., private payphone providers.

equal access end offices. To accomplish this, it would be necessary for the independent to furnish a LIDB provider with a "0" PIC designation for each of its customers, which information would be added to the appropriate LIDB.²⁴ Subsequent 0+ calls from the independent would be received by the BellSouth OSS, which would query the LIDB to determine the carrier selection of the billed party and route the call accordingly. Availability of this service would, of course, also require the negotiation of suitable billing arrangements between the independent and the preferred IXC.

C. 0+ Carrier Assignment

BellSouth supports transfer of billed to third number and collect calls to the 1+ PIC designated by the customer. With respect to calling card calls, BellSouth proposes to obtain a primary and secondary PIC selection through balloting all affected customers (approximately 5.5 Million). This approach enables customers to choose from a variety of IXC card options now available while it avoids the expense of re-balloting all subscriber lines.

D. Commercial Credit and Foreign Issued Cards

In the absence of strong market indicators, BellSouth believes it would be inappropriate to expend substantial revenue for the modification of switches and billing systems

²⁴ In non-equal access end offices, the only 1+ PIC is the carrier designated to handle traffic for the entire end office.

needed to accommodate commercial credit and foreign issued cards.

E. Secondary OSP Assignment

With respect to billed to third number and collect calls, BellSouth favors selection of any secondary PIC by the customer-designated 1+ PIC. For calling card calls the subscriber would designate both primary and secondary OSP on the ballot.

CONCLUSION

Enactment of the Telephone Operator Consumer Services Improvement Act, regulatory initiatives by this Commission and new LEC service offerings will largely eradicate the abuses BPP was designed to remedy. In light of the changing character of the market, substantial implementation costs and a probable waiting period of several years before the service could be deployed, BellSouth does not believe that the public interest will be served by mandating BPP at this time. Should the Commission nevertheless hold otherwise,

BellSouth urges that BPP be mandated for all phones and all operator-assisted calls. Further, the Commission should approve a mechanism which provides for recovery of the substantial (and largely non-usage sensitive) costs of BPP implementation from all access customers.

Respectfully submitted,

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EXHIBIT 1

IMPLEMENTATION COST

Non-Investment Related Expense

	<u>Capital</u>	<u>Initial</u>	<u>Recurring</u>
OSS7 Software		\$72,300,000	
Trunks	\$6,426,000	3,944,000	
OSS Capacity	874,000		
AABS	16,027,000	9,220,000	\$941,000
EAABS		27,600,000	
Operators and Positions	1,609,000	348,000	5,502,000
LIDB		2,049,000	407,000
Balloting - Carrier Preference	<u> </u>	<u>5,220,000</u>	<u> </u>
	\$24,936,000	\$120,681,000	\$6,850,000